

REPORT OF THE COMMITTEE ON PUBLIC INFRASTRUCTURE AND TECHNOLOGY

Voting Members:

Carol Fukunaga, Chair; Andria Tupola, Vice-Chair;
Brandon J.C. Elefante, Heidi Tsuneyoshi

Committee Meeting Held
October 19, 2022

Honorable Tommy Waters
Council Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Public Infrastructure and Technology, which considered Resolution 22-245 entitled:

“RESOLUTION REQUESTING THE CITY ADMINISTRATION TO WORK WITH FIRE SAFETY AND RESIDENTIAL CONDOMINIUM STAKEHOLDERS TO ADDRESS ISSUES RELATING TO THE VIABILITY OF FIRE SAFETY REQUIREMENTS IN EXISTING HIGH-RISE RESIDENTIAL BUILDINGS,”

introduced on October 13, 2022, reports as follows:

The purpose of the Resolution is to request the City administration to work with the City Council, the Insurance Commissioner, and appropriate fire safety and residential condominium stakeholders to develop solutions relating to the viability of fire safety requirements in existing high-rise residential buildings.

PIT Committee Chair Fukunaga also noted that a PIT Committee Addendum was filed to include Department Communications No. D-190(22) and D-203(22) from BFS, which reflect additional budget and fiscal information on the City's Real Property Tax Credit applications for Automatic Sprinkler Systems and City Financial Assistance Solutions relating to Fire Safety ordinance (Ordinances 19-4 and 21-3).

The Addendum also reflects Council Communication No. 43(22), Report of the Subcommittee of the Committee on Public Infrastructure and Technology as a Permitted Interaction Group, and Committee Report No. 44 relating to Bill 37(21), CD1.

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ADOPTED ON _____

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Committee Meeting Held
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Page 2

Prior to the discussion on Resolution 22-245, your committee on Public Infrastructure & Technology conducted an informational briefing and panel discussion of stakeholders to discuss questions associated with the Honolulu Fire Department's ("HFD") August 1, 2022, three-month report (Dept. Comm. No. 575) and identify concerns raised about the report by condominium stakeholders. The PIT Committee Chair noted the report reflected a very low percentage rate (8.9%) of high-rise residential properties that achieved 'passing scores' on their Life Safety Evaluation ("LSE") at the same time that they are also identified as being 'in compliance' with Ordinance 19-4 because they have submitted their initial Life Safety Evaluations.

Panel discussion participants included Andrew T. Kawano, Director, Department of Budget and Fiscal Services ("BFS"), Matthew Gonser, Director, Office of Climate Change, Sustainability and Resiliency, Kendall Ching, Acting Battalion Chief, Honolulu Fire Department, Jane Sugimura, Hawaii Council of Community Association of Apartment Owners, and Sue Savio, Past President, Hawaii Chapter of the Community Associations Institute.

BFS Director Andrew Kawano from BFS briefly discussed March 14, 2022, Department Communication 203 (D-203) which responded to previous PIT Committee questions as to whether BFS and the Administration supported the establishment of a financial assistance and grants programs relating to Ordinances 19-04 and 21-03. Director Kawano emphasized that, in light of the estimated \$2.2 billion in costs of compliance in conjunction with Honolulu Fire Department estimates of fire sprinkler of LSE implementation, the cost to the city of providing some level of financial assistance to help offset these costs would be substantial.

Director Kawano also updated the number of Real Property Tax Credit applications received as of October 1, 2022 pursuant to Ordinance 18-9 totaled 234

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Committee Meeting Held
October 19, 2022
Page 3

applications, all of which were submitted Marco Polo Condominium residents. Director Kawano stated that the Division of Treasury is tasked with working with the applicants during the review and approval process and the tax credit will apply to the Tax Year 2023-2024. *(Note: Department Communication 752 provides a written summary of Director Kawano's testimony provided in committee.)*

Director Matthew Gonser of the Office of Climate Change, Sustainability and Resiliency provided a summary of a potential financing opportunity by which individual condo units owners in high-rise residential buildings could be eligible for financing pursuant to provisions of Act 183, SLH 2022, which establishes a Commercial Property-Assessed Financing ("C-PACE") program in Hawai'i. C-PACE allows commercial property owners to access financing for "qualifying" improvements on their properties and to repay the investment through voluntary assessments similar to a real property tax.

Director Gonser pointed out that, as part of its rule-making preparations, Hawai'i Green Infrastructure Authority ("HGIA") is considering identifying "fire suppression systems" as a qualifying improvement for financing purposes, along with other improvements that address cesspool conversion, clean energy, energy efficiency and resiliency improvements. Act 183 authorizes the HGIA to establish and administer the C-PACE program for which counties can adopt legislation to enable Honolulu-based commercial entities to utilize the law for financing. *(Note: Mayor's Message 203 provides a written summary of Director Gonser's testimony provided in committee.)*

Acting HFD Battalion Chief Kendall Ching updated the number of LSE submittals received after August 31, 2022 to 302 submittals. A total of 313 buildings must comply with Ordinance 22-02, of which 281 building did not receive acceptable level of safety score. The Marco Polo high-rise property reported installing fire sprinklers. Eight AOA

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Committee Meeting Held
October 19, 2022
Page 4

organizations sent HFD their letters of intent to install sprinklers within their properties, including three which had also submitted Life Safety Evaluations. Five properties that had not submitted an LSE by August 31, 2022, were issued a Notice of Violation for failure to submit an LSE or a letter of intent to install fire sprinklers.

Acting Battalion Chief Ching testified that HFD's Code Enforcement team within its Fire Prevention Bureau has 3 Fire Captains and 12 Fire Inspectors that are tasked with the enforcement of the fire safety ordinance and conducting high-rise residential inspections. He reported that HFD's internal goal is to conduct inspections of high-rise residential buildings every two years.

PIT Committee Chair Fukunaga requested a status update on a budget appropriation included in the FY23 Operating Budget (Ordinance 22-13), which provided for two positions and salaries totaling \$184,000 and current expenses totaling \$95,820. Acting Battalion Chief Ching responded that HFD has not used the appropriations. *(Note: Department Communication 751 provides a written summary of Acting Battalion Chief Ching's testimony provided in committee.)*

Jane Sugimura of Hawai'i Council of Community Association of Apartment Owners provided oral and written testimony which summarized the financial challenges and changes in economic conditions that unit owners in high-rise residential condominium properties face since the enactment of the fire safety ordinance in 2018. Highlights of the testimony (MM-454) include:

- In January 2022, local insurance companies increased annual premiums by 30%-50% for high-rise buildings that did not have fire-sprinkler systems and this created financial hardships for many associations.

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October 19, 2022
Page 5

- In January 2022, Fannie Mae and Freddie Mac issued new lending guidelines to banks to limit or refrain from lending to condominiums properties that had significant deferred maintenance or have received a directive from a regulatory authority or inspection agency to make repairs because of unsafe conditions. Ms. Sugimura pointed out the some local financial institutions are also interpreting LSE scoring identified as not having received a 'passing' score as disqualifying a condominium property from obtaining a loan to undertake critical maintenance and fire safety improvements.

Ms. Sugimura also stated that here are many in the local condominium community who believe that timeline for the implementation of Ordinance 19-4 is not realistic or doable and that further implementation of the Ordinance should be suspended or the Ordinance should be repealed.

Sue Savio, Past President, Hawai'i Chapter of the Community Associations Institute provided oral testimony summarizing the challenges facing the insurance industry market due to the number of natural disasters and catastrophic events, which require many insurance and re-insurance carriers to pay the maximum total coverage limits of their policies. For example, 35 out of 50 reinsurance carriers lost money and raised rates to cover their losses.

Ms. Savio also testified that there is no one solution to address the increase in insurance rates and the cost of installing sprinklers. Ms. Savio also encouraged condominium property owners to come together and proposed several solutions to help make sprinklers more affordable.

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Committee Meeting Held
October 19, 2022
Page 6

Your Committee notes that the substantive testimony received during the committee meeting warranted written submittals by the City agencies. PIT Committee Chair Fukunaga proposed to submit a Floor Draft amendment to reflect the new information received in committee, which would provide opportunities for committee members and the public to review the written testimonies prior to Council action on the resolution.

Your Committee on Public Infrastructure and Technology is in accord with the intent and purpose of Resolution 22-245 and recommends its adoption. (Ayes: Elefante, Fukunaga, Tsuneyoshi – 3; Noes: None; Excused: Tupola – 1.)

Respectfully submitted,


Committee Chair

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